CAMBRIDGE LEASEHOLDS LIMITED • ANNUAL REPORT

Year ended May 31, 1970

FINANCIAL HIGHLIGHTS

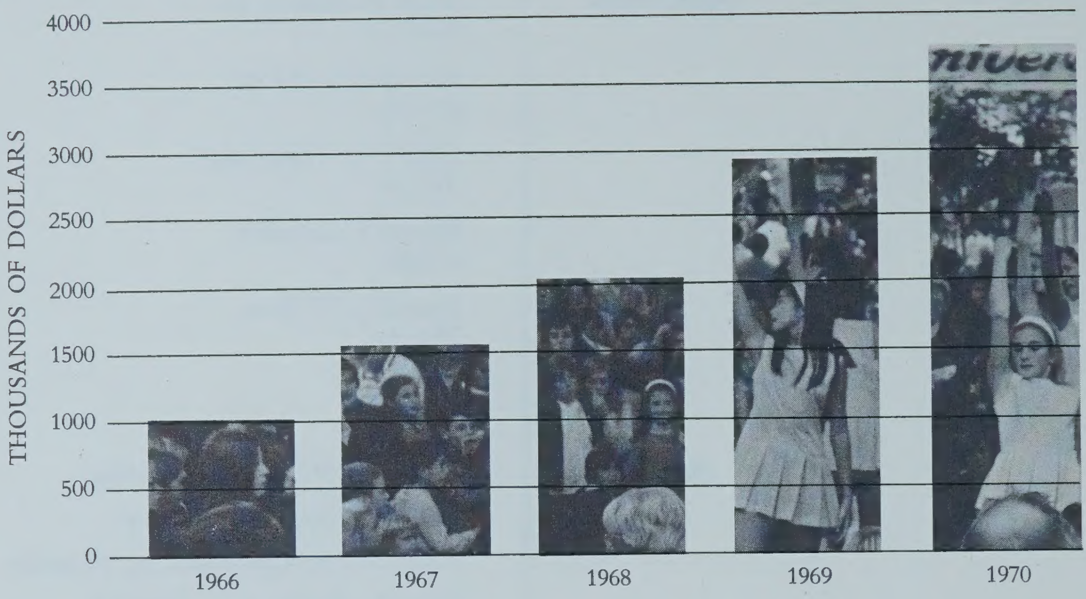
	1970	1969	% Increase
Rental Income	$3,792,491	$2,983,273	27.1%
Net Cash Flow from Operations	532,666	389,610	36.7%
Per share*	52.0¢	38.1¢	
Net Earnings	321,208	259,690	23.7%
Per share*	31.4¢	25.4¢	

*1,023,500 shares outstanding at May 31, 1969 and 1970.

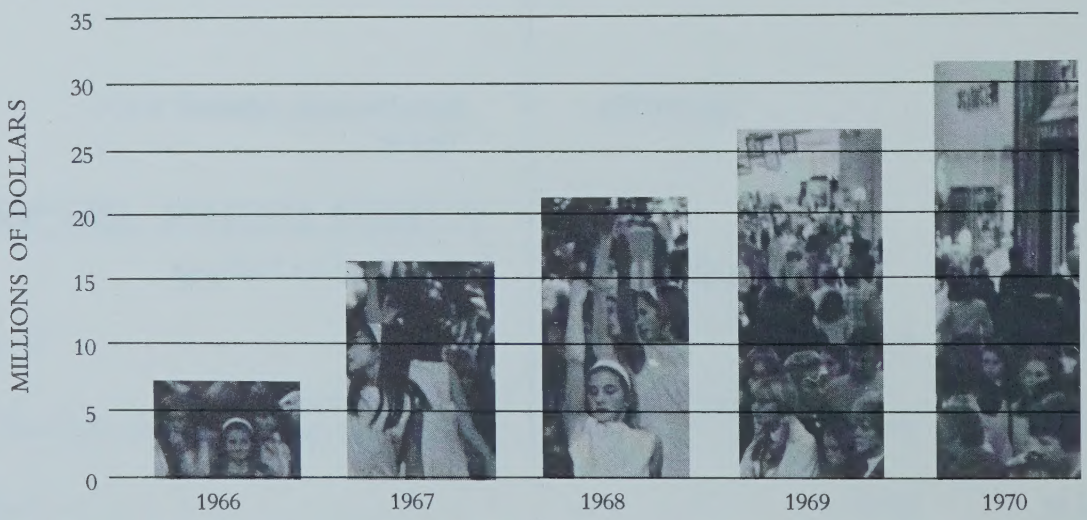
DIRECTORS AND OFFICERS

DIRECTORS	James N. Bartlet, Q.C. *Windsor* Edmond G. Odette *Windsor* Charles L. Tabachnick *Toronto* Morris Tabachnick *Windsor* Donald J. Wilkins *Toronto*
OFFICERS	Charles L. Tabachnick, *President* David A. King, *Vice-President* Ronald G. Ellingwood, C.A., *Treasurer* James N. Bartlet, Q.C., *Secretary* John N. St. Onge, *General Manager*
TRANSFER AGENT AND REGISTRAR	The Canada Trust Company *Halifax, Toronto, Winnipeg, Calgary and Vancouver*
AUDITORS	Peat, Marwick, Mitchell & Co. *Toronto*
SHARES LISTED ON	Toronto Stock Exchange
HEAD OFFICE	18 King Street East Toronto 1, Ontario

RENTAL INCOME



TOTAL ASSETS



PRESIDENT'S REPORT

The very successful opening of Devonshire shopping centre in Windsor on August 12, 1970 was the culmination of more than three years of work and planning. Cambridge developed and will manage this 600,000 square foot regional centre and owns a fifty per cent equity interest. The timing of this annual report has permitted us to include a pictorial record of the Devonshire opening.

We announced plans during 1970 to build two more regional enclosed-mall centres, "Les Rivières", in Trois-Rivières, Quebec and "Quinte Mall" in Belleville, Ontario. Leasing and other arrangements are proceeding favourably and we intend to begin construction of both centres this fall and to open both for business in late 1971.

During the past year, we received proceeds of mortgages totalling $3,400,000 on our new centres in St. Catharines, Ontario and Charlottetown, Prince Edward Island. An amount of $5,000,000 has also been received to date by our affiliate, Regional Shopping Centres Limited on the long-term mortgage financing for Devonshire. A mortgage commitment is on hand for the centre which is being constructed in Barrie and applications have been made for long-term mortgages on Les Rivières and Quinte Mall.

Several other developments are in various stages of planning and we will continue our policy of issuing reports at least quarterly to keep our shareholders informed on all new developments.

The attached financial statements show substantial increases in assets, earnings and cash flow. These results reflect the cooperative efforts of a capable and devoted staff on whom we base our confident prediction of continued growth.

August 24, 1970

Charles L. Tabachnick

CAMBRIDGE LEASEHOLDS LIMITED
BALANCE SHEET
MAY 31, 1970 (with comparative figures for 1969)

	1970	1969
ASSETS		
Cash	$ 9,641	$ —
Accounts receivable (note 1)	345,365	312,580
Prepaid taxes, other expenses, and deposits	617,107	578,914
Investment in and advances to affiliated and subsidiary companies (note 2)	8,315	8,506
Mortgages and notes receivable (note 3)	178,036	—
Investment in property for resale, at cost (note 4)	566,587	105,784
Investment in lands under option	222,545	120,448
Investment in property for future development, at cost (note 5)	592,393	—
Projects under construction, at cost	—	1,330,971
Investment in revenue-producing properties, at cost less depreciation and amortization (note 6):		
Land	3,728,605	3,172,449
Buildings, site work and equipment	24,485,256	21,155,429
Development costs deferred	1,440,295	1,288,355
	29,654,156	25,616,233
Less accumulated depreciation and amortization	1,264,845	882,719
	28,389,311	24,733,514
	$30,929,300	$27,190,717

On behalf of the Board:

CHARLES L. TABACHNICK, *Director*

EDMOND G. ODETTE, *Director*

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Cambridge Leaseholds Limited as of May 31, 1970 and the statements of earnings and retained earnings and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

See accompanying notes to financial statements.

	1970	1969
LIABILITIES		
Accounts payable and accrued expenses	639,267	$ 362,429
Municipal taxes	491,927	581,284
Mortgages and other secured obligations:		
Bank advances	—	1,031,586
Notes payable to shareholders, 9% due 1972	100,000	—
Mortgage on property for resale, 10% due 1970	485,000	75,750
Mortgage on property for future development (note 5)	390,000	—
Mortgages on revenue-producing properties (note 7)	25,204,231	22,293,599
	26,179,231	23,400,935
Deferred income taxes (note 8)	543,700	225,000
Deferred profit on sale of land (note 9)	132,898	—
SHAREHOLDERS' EQUITY		
Capital stock (note 10)		
Shares of no par value. Authorized 1,500,000, not to exceed $15,000,000; issued 1,023,500 shares	1,789,400	1,789,400
Retained Earnings	1,152,877	831,669
	2,942,277	2,621,069
	$30,929,300	$27,190,717

In our opinion, these financial statements present fairly the financial position of the company at May 31, 1970 and the results of its operations and the source and use of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario
August 7, 1970

PEAT, MARWICK, MITCHELL & CO.
Chartered Accountants

CAMBRIDGE LEASEHOLDS LIMITED
STATEMENT OF EARNINGS AND RETAINED EARNINGS
YEAR ENDED MAY 31, 1970 (with comparative figures for 1969)

	1970	1969
INCOME		
Rental income	$ 3,792,491	$ 2,983,273
Leasing and management fees	97,470	128,333
	3,889,961	3,111,606
EXPENSE		
Property operating expenses	910,823	744,446
Interest—long-term debt	1,688,296	1,296,153
—other	22,475	65,321
Depreciation (note 6)	315,370	243,731
Amortization of deferred development expenses (note 6)	69,080	57,116
General and administrative	279,602	220,149
	3,285,646	2,626,916
INCOME FROM OPERATIONS	604,315	484,690
Gain on settlement of expropriated land (note 1)	35,593	—
	639,908	484,690
Income taxes, deferred (note 8)	318,700	225,000
NET EARNINGS FOR THE YEAR	321,208	259,690
Retained earnings, beginning of year	831,669	613,915
	1,152,877	873,605
Expense of issue of shares	—	41,936
RETAINED EARNINGS, END OF YEAR	$ 1,152,877	$ 831,669

See accompanying notes to financial statements.

CAMBRIDGE LEASEHOLDS LIMITED
STATEMENT OF SOURCE AND USE OF FUNDS
YEAR ENDED MAY 31, 1970 (with comparative figures for 1969)

	1970	1969
SOURCE		
OPERATIONS		
Net earnings for the year	$ 321,208	259,690
Charges to operations not requiring an outlay of funds:		
Depreciation and amortization (note 6)	384,450	300,847
Income taxes, deferred (note 8)	318,700	225,000
Other	(2,324)	—
	1,022,034	785,537
Principal payments on mortgages, revenue-producing properties	489,368	395,927
NET CASH FLOW FROM OPERATIONS	532,666	389,610
NEW FINANCING		
Loans from shareholders	100,000	—
Mortgage on property for resale	485,000	—
Mortgages on revenue-producing properties	3,400,000	8,590,000
Net proceeds of shares issued for cash	—	1,166,064
Net proceeds from sale of land (note 9)	12,332	—
	$ 4,529,998	$10,145,674
USE		
Mortgages and notes receivable (net)	$ 27,436	$ —
Investment in property for resale	566,587	30,034
Net investment in property for future development (note 5)	202,393	—
Investment in new properties	2,809,049	5,750,444
Long-term debt discharged	—	876,134
	3,605,465	6,656,612
Net decrease in bank indebtedness and other current obligations	924,533	3,489,062
	$ 4,529,998	$10,145,674

See accompanying notes to financial statements.

CAMBRIDGE LEASEHOLDS LIMITED
NOTES TO FINANCIAL STATEMENTS
MAY 31, 1970

1. ACCOUNTS RECEIVABLE

	1970	1969
Tenants—rents and charges	$102,753	$113,489
Employees—stock purchase plan (payable over 9 years)	72,900	81,000
—home purchase loans	—	22,500
Expropriated land (see below)	107,197	69,811
Due from shareholders	35,400	—
Other	27,115	29,842
	345,365	316,642
Less allowance	—	4,062
	$345,365	$312,580

The amount receivable on expropriated land above represents the final amount due on the land at Transcona (Winnipeg), Manitoba expropriated by the Metropolitan Corporation of Great Winnipeg. This amount was received in June, 1970.

2. INVESTMENT IN AND ADVANCES TO AFFILIATED AND SUBSIDIARY COMPANIES

The company has a fifty per cent interest in Regional Shopping Centres Limited and a seventy per cent interest in Centre Commercial Les Rivières Ltée., which companies are engaged in the development of properties in Windsor, Ontario and Trois-Rivières, Quebec, respectively.

The company's share of the net income of Regional Shopping Centres Limited for the year ended May 31, 1970, which income arose from sales of land, was $16,861 (1969, $58,727) and its share of the undistributed net income since inception was $75,588 (1969, $58,727), no part of which is reflected in these financial statements. Centre Commercial Les Rivières Ltée. was incorporated on April 10, 1970 but did not commence operations until after May 31, 1970.

3. MORTGAGES AND NOTES RECEIVABLE

Mortgages and notes receivable consist of the following:

Mortgages on employees' homes (due 1974)	$ 23,043
Second mortgage on land sold (due 1974)	154,993
	$178,036

4. INVESTMENT IN PROPERTY FOR RESALE

The company has contracted to sell a property presently under construction in Barrie, Ontario, at a price in excess of estimated total cost. No portion of the profit anticipated on the sale of this property is included in these financial statements.

5. INVESTMENT IN PROPERTY FOR FUTURE DEVELOPMENT

During the year, the company exercised its option to purchase 193 acres of vacant land in Windsor, Ontario. Part of the purchase price was satisfied by the giving of a purchase money mortgage for $400,000. This mortgage bears interest at 7½% per annum and calls for semi-annual payments of $10,000 plus interest, increasing to $20,000 plus interest in 1975. The mortgage falls due in 1984. The principal balance at May 31, 1970 was $390,000.

6. INVESTMENT IN REVENUE-PRODUCING PROPERTIES

Development costs are those expenses incurred up to the date of commencement of operation of a property and include interest on interim financing (1970, $86,282; 1969, $146,134), legal fees, consultant fees and leasing costs. These expenses are amortized over the first twenty years of operation of the property. Accumulated amortization at May 31, 1970 amounted to $224,920 (1969, $158,164).

Depreciation on buildings and site work is calculated on a sinking-fund method based on an estimated useful life of thirty-five years for each revenue-producing property and will amortize the cost of the building and site work in a series of annual instalments increasing at the rate of 5% compounded annually.

7. MORTGAGES ON REVENUE-PRODUCING PROPERTIES

Mortgages mature in various years from 1983 to 1997 and bear interest at rates varying from 5¾% to 10½%. Princi-

pal payments due on these mortgages in the next five fiscal years are as follows:

1971	$543,000
1972	591,000
1973	631,000
1974	675,000
1975	721,000

Mortgages payable in U.S. funds totalling $7,807,367 U.S. at May 31, 1970 have been expressed in Canadian funds at the rates of exchange prevailing when funds were received, being approximately $1.00 CAN.=$0.925 U.S.; principal payments due within five years have been expressed in Canadian funds at the rate of exchange on May 31, 1970.

On June 1, 1970 the Canadian Government removed the fixed exchange rate between the Canadian and U.S. dollar, and the prevailing rate of exchange has since risen to approximately $1.00 CAN.=$0.975 U.S. Were the mortgages payable in U.S. funds included in these financial statements expressed at the latter rate, the liability for mortgages payable would be reduced by approximately $400,000. Any gains which may accrue to the company as a result of such exchange rate variances will be taken into income when and only to the extent realized on repayment of mortgage principal.

8. DEFERRED INCOME TAXES

The treatment for tax purposes of development expenses and depreciation differs from the company's accounting treatment, with the result that no income taxes have been paid or are currently payable.

As of June 1, 1968 the company, which previously used the taxes payable basis of accounting for taxes on income, adopted the tax allocation basis as recommended by the Canadian Institute of Chartered Accountants. In addition to the deferred income taxes recorded in the accounts, income taxes were reduced in prior years by an aggregate amount of $252,600. No provision has been made in the company's accounts for the latter amount.

9. DEFERRED PROFIT ON SALE OF LAND

Based on a policy statement issued by the Ontario Securities Commission regarding the recognition of profits in real estate transactions, the profit in 1970 on the sale of certain lands has been deferred in the accounts. This profit will be taken into income when, in the opinion of the company, the purchaser acquires a more substantial equity in the property.

10. CAPITAL STOCK

The company set aside 20,000 shares without par value to establish an employee stock option plan. Options on 11,000 shares were exercised in 1969 and options to purchase 9,000 were outstanding at May 31, 1970. The following sets out information relating to options granted since the commencement of the last completed fiscal year to the directors, senior officers and employees of the company as a group:

(1) Options to purchase 1,000 shares at $9.00 per share were surrendered.

(2) Options to purchase 9,000 shares at $6.75 per share were granted.

11. CONTINGENT LIABILITIES

(a) The company is contingently liable as guarantor of bank advances to Regional Shopping Centres Limited up to a maximum of $2,050,000. Such bank advances amounted to $1,030,000 at May 31, 1970.

(b) The company is also contingently liable as guarantor of advances made to Regional Shopping Centres Limited by the mortgagee of Devonshire Shopping Centre. As of May 31, 1970, $3,750,000 had been advanced under this mortgage. This contingent liability terminates on completion of the centre.

12. REMUNERATION OF DIRECTORS AND OFFICERS

Remuneration paid to directors as salaried employees and to other senior officers was $128,705 ($100,860 in 1969).

PROGRESS REPORT

NEW PROPERTIES

devonshire

The official opening of the $15 million 70 store Devonshire shopping centre on August 12, 1970 culminated three years of intensive activity and brought into operation the largest project that Cambridge has developed to date.

Devonshire will attract shoppers from the trading area of Essex and Kent counties, encompassing 400,000 people whose annual retail expenditures presently exceed $450 million. We also expect to attract a significant portion of the estimated $40 million in retail sales the people in the market area now spend in Detroit.

Devonshire is the largest enclosed shopping centre between Detroit and Toronto. Its location on Howard Avenue at the major intersection of the future E. C. Row Expressway, and connecting directly on Highways 2 and 98 with Highway 401, provides easy access for customers. Ample parking facilities for 3,500 cars, a relaxing, aesthetically pleasing atmosphere and its full range of shops and services make Devonshire a truly consumer-oriented one-stop shopping complex.

Aerial view of Devonshire shows extensive parking area with some of the 22,000 cars that visited the centre on opening day.

Fountains and plantings create an appealing environment for Devonshire shoppers.

An interior shot of Devonshire, the day before opening. Floral display in centre of mall was one of many opening day attractions.

The 600,000 square foot enclosed mall shopping area offers a complete range of quality goods and shopper services. Devonshire has a full-line Simpsons-Sears department store, Miracle Mart department and food store, fifteen apparel stores, seven shoe stores, six restaurants and many other specialty shops.

Devonshire is owned by Regional Shopping Centres Limited in which Cambridge has a 50% interest. The Company will receive income from its share of Regional's net earnings and from fees provided under a Management Agreement, the total of which will make a significant contribution to future earnings.

Windsor Mayor Frank Wansbrough assisted by Nathan Steinberg, left, Miss Windsor, and Cambridge President Charles Tabachnick, right, cuts the traditional ribbon to officially open Devonshire.

Devonshire officially opened its doors at 9.30 a.m. August 12, 1970. During the day an estimated 70,000 people visited the centre. Early sales results from tenant stores point to an extremely successful shopping centre opening.

Interesting decor is a feature in many of the stores at Devonshire. Flowers are always pleasing to shoppers.

Opening day excitement in one of Devonshire's 70 stores.

Gleaming new department store is one of the two anchors for the smaller retailers.

Glass and chrome are prominent in apparel stores in Devonshire. Merchants use these modern techniques to appeal to youthful market.

National chain stores play an important role in the tenant mix of a regional shopping centre.

PROGRESS REPORT

NEW PROPERTIES

Two new K mart plazas, one in Charlottetown and one in St. Catharines, were opened during the year and the early shopping volumes have been most satisfactory. The 135,000 square foot Charlottetown plaza was opened in November, 1969 and contains K mart department and food stores with six additional stores and shops. The St. Catharines plaza, with K mart department and food stores and five additional stores, was opened in September, 1969.

K mart Plaza, St. Catharines, Ontario

EXISTING PROPERTIES

BURLINGTON MALL

Burlington Mall is now well into the second full year of operation and sales volumes reported by tenants are ahead of first year figures by more than 10%. This rate of increase is in keeping with normal growth patterns of large regional shopping centres in the early years of development. Shoppers in Burlington, Oakville, Hamilton and surrounding communities have responded enthusiastically to the more than 40 mall promotion events sponsored by the Burlington Mall Merchants' Corporation. A highlight of the promotional program is the operation of a Farmers' Market on the parking lot by a local service club. Because of its popularity it has stimulated greater shopping activity in all of the stores.

The merchandise mix of the centre has been strengthened with the replacement of two tenants and the addition of three kiosks. These kiosks have provided additional convenience for shoppers and generated additional income for the Company.

The Queen Elizabeth Way between Burlington and Oakville has been under reconstruction for over a year. The widening of this major highway from four to six lanes will render Burlington Mall even more accessible to the important Oakville market. This construction program has almost been completed. The Town of Burlington has also made many improvements to the road system serving the mall.

The Company's many other properties continued to progress satisfactorily and because of sales volume participation clauses in retail tenant leases, earning contributions on the whole increased over last year.

Certain locations had capital improvements made to them in order to improve their competitiveness and this program will be applied systematically on a continuing basis to insure a steady future growth in earnings from all properties.

Downtown Windsor, Ontario

FUTURE DEVELOPMENTS

Construction was started in March on a K mart Plaza, located on Highways 26-27 in the north end of Barrie, Ontario. It is scheduled to be completed in October of this year.

The Company presently controls a total of over 500 acres in a number of Ontario markets and has programs in various stages of advance for the development of three community and three regional shopping centres on these properties. Some of the sites are of sufficient size to allow complementary residential or commercial projects and the Company will have the opportunity of developing these as well.

During the year, the Company purchased 193 acres of vacant land in Windsor, Ontario and obtained options from certain major shareholders to purchase an additional 200 acres of adjoining land. Professional studies have identified a multi-use residential potential. It is not anticipated that development will begin on these lands within the next year.

Two major developments were undertaken by the Company during the year which will add substantially to our holdings. They are regional shopping centres in Trois-Rivières, Quebec and Belleville, Ontario.

The $8 million, 375,000 square foot Les Rivières centre will be the largest enclosed mall between Montreal and Quebec City, in one of the province's largest markets. The centre will be strategically located in the City's rapidly-growing northwest sector about a mile from the proposed north shore autoroute. It will serve a trading area of 275,000 people and will have a major impact on the buying habits of residents in Trois-Rivières, Grand'Mere, Shawinigan, Nicolet, Louisville and Cape de la Madeleine as well as smaller towns in the four counties surrounding Trois-Rivières.

Les Rivières will have 50 stores and services with a Simpsons-Sears full-line department store, a Miracle Mart department store and a Steinberg's Miracle Food Mart as the major retail attractions. It also will have a dual auditorium theatre and parking for 2,200 cars. As in Burlington Mall and Devonshire, every facility will be provided in Les Rivières to make it a truly consumer-oriented centre, with attractive architecture, plantings, fountains, rest areas and carefully concealed service facilities.

The Company has a 70% interest in Les Rivières and is solely responsible for the development, construction and operation of the centre. Leasing is substantially complete and construction of the centre will begin shortly, with opening scheduled for the Fall of 1971.

Quinte Mall, announced in June, is the first enclosed regional shopping centre in the Belleville, Ontario market area. It will have over 35 stores and services covering 240,000 square feet and will cost about $6 million. A Simpsons-Sears full-line department store and a Steinberg's Miracle Food Mart will be the major tenants, with a dual-auditorium theatre and parking for 1,700 cars.

Ideally located at the intersection of Highways 401 and 14 in Belleville's north end, the centre will serve a population of 128,000 people living in the counties of Hastings, Prince Edward, Northumberland and Lennox-Addington, including the communities of Belleville, Trenton, Picton, Brighton, Frankford, Sterling, Deseronto and Napanee. We have purchased sufficient additional land to provide for future expansion and expect the centre to be the dominant shopping location in the Quinte region for the foreseeable future.

The leasing program is rapidly drawing to an end and work on the site has been started with opening planned for the Summer of 1971.

CORPORATE ORGANIZATION

The future growth of Cambridge will depend on many factors: the care given to the selection of suitable sites for development, close attention to capital costs and financing, attraction of first-class tenants, and the Company's involvement in the daily operation of each property. The success of this approach will depend on the capability of the people behind it. With this in mind, the Company has further improved and expanded its management group during the past year.

The responsibility for future development encompasses project research, site selection and acquisition, municipal clearances and tenant leasing. These areas are the main concern of Company president Charles Tabachnick and vice-president David King, above. Considerable use is made of outside consulting expertise in the areas of market research and traffic analysis to further insure each project's opportunity for success.

The administration of corporate financial and legal matters are the chief responsibilities of Ronald Ellingwood, treasurer and assistant secretary, and controller Robert Carlson, pictured below. This department has been recently expanded to more efficiently handle the processing of 100 additional leases anticipated during the next fiscal year, which will give the Company a projected portfolio of more than 325 leases under management by the Fall of 1971.

The design and construction of each project is under the supervision of Charles Tabachnick and Ronald Ellingwood shown with Henry Petroff and Alistair Thomson of Petroff & Jeruzalski who have been the architects for Cambridge's recent enclosed mall centres. To ensure overall design and operational harmony, extensive plan co-ordination and approval is maintained between the project architects and tenant designers, under the direct control of Cambridge.

A centrally organized management team guides the operation and promotion of all Cambridge properties. Shown with vice-president David King are general manager John St. Onge and operations manager Robert Fournier. Total involvement on a continuing basis with each property ensures that we remain competitive in the market place, providing opportunity for steady earnings growth through sales volume participation with our tenants.

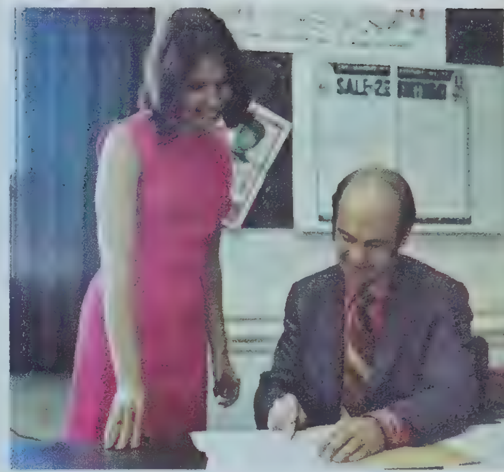
Cambridge will continue to expand its Corporate group as required by attracting skilled, dedicated people who are prepared to shoulder ever increasing responsibilities.

PROPERTY MANAGEMENT

Your Company takes great pride in the calibre of its on-site shopping centre management. When recruiting, people with retail background are particularly sought after. A shopping centre manager, attuned to the needs of serving the consumer, will provide the necessary leadership to ensure optimum results from the market place and harmony among tenant stores in the centre.

In our larger regional shopping centres there is a resident manager, with a separate office staff, who is responsible for the operation and promotion of the centre. In smaller centres the on-site maintenance people report directly to an operations manager; advertising and promotion for these plazas is handled centrally at head office.

To ensure that each centre is a pleasant and attractive place to shop, a high standard of efficiency is maintained in housekeeping and maintenance. Pictures below feature interior and exterior of Burlington Mall. The individual stores and services when drawn together under one roof form a total shopping community.



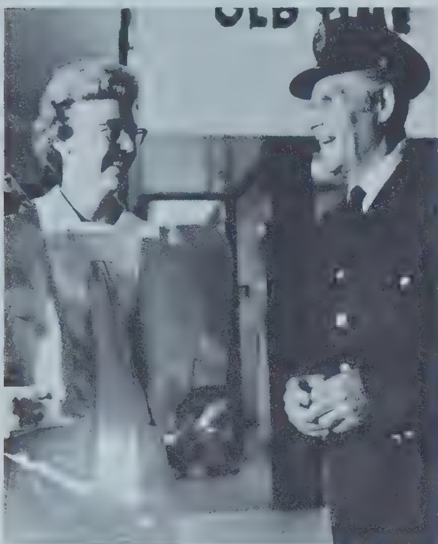
Burlington Mall General Manager David Apperley and secretary Betty Anne Millar review advertising plans for 2nd anniversary.

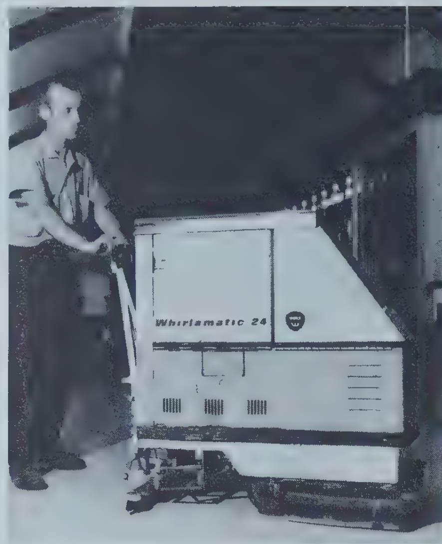
Cutting grass on landscaped areas at Burlington Mall is part of normal maintenance routine.

Maintenance Supervisor inspecting the front end loader, for possible off-season repairs.

The Company maintains a fleet of cleaning and snow removal equipment. Staff is trained to work with a minimum of interference to shoppers. Pictured above is Burlington Mall maintenance man cutting grass on landscaped boulevard areas, and maintenance supervisor doing summer inspection of front-end loader ensuring readiness for snow removal operations.

PROPERTY MANAGEMENT





Costs of operation of the mall areas and parking lot areas in regional centres are the responsibility of all tenants. These costs are budgeted and administered by the operating division of the Company. A detailed accounting of these expenses is forwarded to tenants at regular intervals by the accounting division.

Mall security is an integral part of the operations routine of enclosed malls. Uniformed security officer, Harold Browne, far left, assists a shopper at Burlington Mall. George Boyne, immediate left, performs part of his nightly routine which includes washing and polishing mall floor each night.

The Company plays a lead role in the advertising and sales promotion of its regional centres. A continuing program of promotions is carried on at each centre throughout the year, not only to attract shoppers to the special sale events but to create an atmosphere of activity and community involvement. These promotions are under the direction of the centre manager with costs shared by tenants and the Company. Plans for these events are mapped out one year in advance and approved collectively by all tenant stores in a centre.

An aggressive advertising and promotional program which is well executed, will accelerate the sales growth of a regional shopping centre and produce additional rents.

John St. Onge, left, general manager, is shown checking last-minute details prior to Devonshire opening with Devonshire general manager John Topping, centre, and Company operations manager Robert Fournier.

Shown above is one of the more than 40 promotions run at Burlington Mall during the year—"Breakfast with Santa on the Mall". Right, is the cover of the first year promotional program for Devonshire. Tenants of Devonshire were brought together in May for the presentation of Impact 70, the first year program. Detailed plans, which included newspaper layouts and a schedule of all radio spots together with costs were unveiled to tenants at that time.

FIVE-YEAR FINANCIAL REVIEW

	1966	1967	1968	1969	1970
Rental Income - - - - - - - - - - - - -	$ 1,093,397	$ 1,605,994	$ 2,112,046	$ 2,983,273	$ 3,792,491
Income from Operations - - - - - - -	100,528	123,176	184,917	484,690	604,315
Net Earnings* - - - - - - - - - - -	100,528	123,176	272,102	259,690	321,208
Net Cash Flow from Operations - - - -	7,470	609	134,148	389,610	532,666
Revenue—Producing Properties (at cost)** -	9,855,521	15,971,059	17,946,687	24,733,514	28,389,311
Total Assets - - - - - - - - - - - -	12,371,930	16,214,060	21,339,112	27,190,717	30,929,300

*Deferred income taxes not recorded before 1969.

**Prior years' figures adjusted to include Development Costs Deferred.

To the Shareholders:

Both net earnings and net cash flow for this period are more than double the corresponding figures for the first half of last year. Included is the first dividend from our affiliate company, Regional Shopping Centres Limited, owner of Devonshire shopping centre which opened in August of 1970. It will be a continuing policy of this affiliate to disburse dividends on a quarterly basis.

Operating results were also enhanced by the inclusion of the profit earned on the sale of a shopping centre which had been developed for resale. This profit accounts for net earnings after tax of approximately nine cents per share.

Quinte Mall in Belleville and Les Rivieres shopping centre in Trois-Rivieres are under construction and scheduled to open in August and October respectively.

We are very encouraged by the continuing improvement in the supply of mortgage funds and by the lowering of interest rates. New developments planned by your company will be facilitated to a considerable degree by these factors.

Charles Tabachnick
President

January 25, 1971

CAMBRIDGE LEASEHOLDS LIMITED

SECOND QUARTER REPORT

SIX MONTHS ENDED NOVEMBER 30, 1970

CAMBRIDGE LEASEHOLDS LIMITED

Interim Statement of Earnings

Six months ended November 30, 1970
(with comparative figures for 1969)

	1970	1969
INCOME		
Rental income	$2,051,275	$1,779,901
Management fees	16,902	10,000
Dividend received from affiliated company	50,000	–
Profit on property developed for resale	197,543	–
Interest and other	11,100	4,790
	2,326,820	1,794,691
EXPENSES		
Property operating expenses (note 1)	494,753	424,607
Interest on mortgages	912,674	803,205
Depreciation and amortization	208,621	184,000
General and administrative	175,426	144,425
Other	21,911	–
	1,813,385	1,556,237
INCOME FROM OPERATIONS	513,435	238,454
Income taxes, deferred	235,100	119,000
NET EARNINGS FOR THE SIX MONTHS	$ 278,335	$ 119,454

Statement of Source and Use of Funds

Six months ended November 30, 1970
(with comparative figures for 1969)

	1970	1969
SOURCE		
Operations		
Net earnings for the six months	$ 278,335	$ 119,454
Charges to operations not requiring an outlay of funds:		
Depreciation and amortization	208,621	184,000
Income taxes, deferred	235,100	119,000
CASH FLOW FROM OPERATIONS	722,056	422,454
Principal payments on mortgages	266,674	232,997
NET CASH FLOW	455,382	189,457
New financing, mortgages on revenue-producing properties	200,000	1,650,000
Recovery of prior year's investment in property for resale	566,587	–
Loans from shareholders	–	100,000
	$1,221,969	$1,939,457
USE		
Investment in new properties	$ 337,182	$2,497,690
Investment in affiliated and subsidiary companies	178,881	–
To discharge mortgage on property for resale	485,000	–
Cash dividends paid	102,650	–
Net decrease (increase) in bank indebtedness and other current obligations	118,256	(558,233)
	$1,221,969	$1,939,457

Notes:
1. Property operating expenses for 1969 have been restated to include an accrual of $13,405 for seasonal expenses in accordance with a policy adopted for 1970 and subsequent years.
2. Per share figures for 1970 are based on the average number of shares issued for the period - 1,024,250; 1969 - 1,023,500 issued.
3. Figures are subject to year-end audit and adjustments.

PER SHARE figures for the Six Months: (note 2)

	1970	1969
Net Earnings	27.2¢	11.7¢
Cash Flow from Operations	70.5¢	41.3¢
Net Cash Flow	44.5¢	18.5¢